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**MICRO AND MACRO DEVELOPMENTS IN HUNGARY UNDER THE  
GLANCE OF EU COHESION FUNDS**

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***Introduction***

It is rare to write on poverty and underdevelopment in an European Union (EU) member state, but it is timely. The consolidation of both democracy and the market economy is far from being a closed issue in Hungary, given the current economic, social, political and spatial processes. Hungarian economic and political elite consider the EU cohesion funds as the opportunity for regional development. The New Hungary Development Plan 2007-2013 of the Hungarian government and the National Development Policy Concept both have explicit emphasis on sustainable development of regionally integrated rural areas based on the availability of EU funds. Strengthening regional cohesion, improvement of regional competitiveness and regional realignment are all big pledges embedded into the process of regional development as foreseen by these documents. In this attempt, the Hungarian government puts an emphasis on the need for a developmentary state, which should respectively put in place the conditions of market-conforming and sustainable economic and social development in guarantee for the interests of future generations.<sup>1</sup>

In parallel to these goals at the macro-level, there are also micro development programmes; a certain example of which is the development project for Cserehát initiated by the United Nations Development Program (UNDP) and the previous Hungarian Ministry of Youth, Family, Social Affairs and Equal Opportunities (ICSSZEM). In this paper, I will illustrate the extent of rural poverty in Hungary on the basis of my research in Cserehát and discuss whether the current institutionalism regarding the distribution of the EU funds can solve the problem of regional underdevelopment or not.

To observe how over-bureaucratised structures without a systematic approach in the new EU members copes with the new actors and institu-

tions of rural development will be a new challenge for social scientists. After the local election in Autumn 2006 and in view of the EU cohesion funds, the discussion in Hungary on how to (re) organise various development councils at the local level and how to involve the local governments into the implementation of the government policies for development at the central level accelerated. Therefore, on the one hand, given the pending political crises and the extremely polarised political scene between the opposition right-wing Fidesz and the left-liberal coalition between MSZP and SZDSZ, every single step towards change is prone to have very complex political implications.

In rural Hungary, on the other hand, civil society, local businesses, local governments, minority self-governments and alike participate in rural development projects funded by the EU as the actors. In order to observe the efforts and the positioning of such structures, I have been a participant observer at events for micro development project stakeholders, which were organised by the Cserehát Programme at Homrogd in March and Encs in August 2006. I have also visited certain project sites in Cserehát and held interviews in Hungarian during Summer and Autumn 2006 both with the mentors of projects, UNDP representatives and grant recipients in various micro-regions. In brief, the organisation and the implementation of the Cserehát programme towards regional development illustrates a picture of micro-development efforts in Hungary with human capacity building and rural development as its two main aims.

Development cannot be understood as being directed towards some fixed, static aim; it is towards dynamic processes. Alongside, it is not towards passive adaptation, but active adaptability. And it is not directed towards a self-sufficient survival, but towards the permanent competitiveness in relation to the outside world. These points imply that development (re)produces the conditions for further development, and hence creates a momentum. Retaining a momentum of development is the current phase of Europeanisation for the new members of the EU. The shift from institutional convergence to developmental and competitiveness convergence is the current requirement of Europeanisation from the new members. Their ability to achieve developmental breakthrough is closely related to their shift from simple modernisation to reflexive modernisation.<sup>2</sup> The development concept of the MSZP-SZDSZ govern-

ment and the national plan for development, and the institutional overhaul illustrate whether Hungary can acquire such momentum or not. Hence, under the theoretical guidance of Adam et al.'s approach to development and further Europeanisation, in this article I will discuss micro and macro development issues in Hungary focusing on the EU cohesion funds. I start my discussion with background information on poverty and underdevelopment in Cserehát.

***Poverty and Underdevelopment in Hungary –  
Cserehát as a Case Study***

Poverty manifests itself in the forms of income inequality and underdevelopment especially in rural enclaves in Hungary. Along with poverty, a certain section of the society falling behind the rest is a strong implication of underdevelopment.<sup>3</sup> The situation of Roma is central to poverty: the Hungarian Roma is secluded in small rural settlements with more than 60 percent of them living in settlements with a population less than 10,000 people. These are the settlements where de-industrialisation after the end of communism has not been cured with later developments in the service sector or agriculture.<sup>4</sup> The ongoing plight of Hungarian Roma instigated a wave of emigration – this time to Sweden in November 2006, demonstrating a rare example of asylum claims by EU nationals in another EU country. Therefore, the Roma poverty is becoming an issue more related to the EU, given the increase in the number of Gypsy population in the EU after the latest enlargements to Bulgaria and Romania. The future use of the cohesion funds to alleviate such poverty will be a central issue for the EU.

Poverty and inequality are multi-dimensional with a whole set of deprivations. On the one hand, structural features of poverty such as education, place of living, number of children, and employment tend to converge with the ethnic background of the poor – namely the Roma – in the case of those deprived. On the other, it is difficult to agree on the composition of the Roma in Hungary. In an attempt to qualify a society as internally diversified as Roma, sociologists resort to attributing “pursuing a Roma life style” or “becoming Roma as a result of poverty”<sup>5</sup> to people “considered to be” Roma. Along with other studies in this area, my fieldwork over the Roma communities in various parts of Hungary

also convinced me that the Roma, beyond a simple racial community, is composed of an extremely mixed group of people. Hence, in this paper, I tend to utilise "Roma" as a rather comprehensive and ascriptive qualifier to refer to all those who fall into the category of the "unsuccessful" other, who could not succeed to meet the requirements to survive with human dignity in neo-liberal market economies.

This picture is very central to the process of economic change in Hungary. During the long decades of socialism, the labour demand of an extensive economy and compulsory primary education provided for the possibility of a relative social mobility and integration of the Roma. Nevertheless, mass unemployment in the wake of the regime change shook the foundations of this fragile social integration. High employment, which had evolved during the preceding decades, and resultant secure livelihood were replaced with uncertain and low employment based on odd jobs.<sup>6</sup> Under these conditions, poverty broke out and forged specific norms, lifestyles, and values. In this respect, the more deprivation is spatially concentrated, the more intense its cultural and generational effects can become. Socio-economic exclusion reinforced by deprivation and lack of personal autonomy can thereby intensify such effects.<sup>7</sup> Cserehát is an example of rural poverty in Hungary, where deprivation has culminated in generating a perennial form of poverty.

Cserehát geographically refers to the valley between Hernád and Bódva rivers in Hungary. There are almost 110,000 people living in the region, a certain segment of whom are Roma. The unemployment rate in this region is almost three times more than the average rate in Hungary. The crisis of agriculture, mining industry, metallurgy, iron and steel production with the regime change instigated extreme poverty in this area.<sup>8</sup> De-industrialisation and decline in agricultural productivity culminated in poverty in and beyond Cserehát, especially hitting the Roma after 1989. Re-privatisation in agriculture after 1989, rather than solving problems of agriculture, resulted in a transfer of resources, gained through privatisation, to consumption rather than bringing out solutions for fundamental problems of agriculture.<sup>9</sup>

Although, in principle, after the regime change the new government tried to promote family farming and reduce the collective sector, there is little evidence that this transformation progressed during the first years after transition. If the end of collectivism is a proof of progress, along

with one can only note the plunder of the agricultural co-operatives' equipment by members of middle management or their relatives. There was an immediate reduction in the agricultural population by some 40 percent, accompanied by a dramatic redistribution of wealth in rural Hungary. About a third of the population lost their jobs, having formed the core of a new rural poor. This initiated the creation of a real rural proletariat dependent upon competitive labour markets for jobs and on informal markets for their subsistence.<sup>10</sup> Consequently, the loss of additional income drawn from the agricultural activity under communism, which was particularly important for a large part of families' total income in rural areas, the breakup of the large collectives and the confusion over ownership rights led to a considerable drop in earnings of the rural population.<sup>11</sup> The Hungarian countryside, as a result, was dotted with "rural ghettos" populated by the "decapitated and abandoned" Roma societies. In such societies not only does the adult population lose its traditional means of well-being, but also there remains no successful examples for the youngsters to follow in order to break out of poverty. The new generation cannot absorb work habits<sup>12</sup> and a large number of the children living in poverty do not have, in Bourdieu's terms, the possibility of "pedagogical contract."<sup>13</sup> Hence, the structural features of poverty instigate a culture of poverty – a form of habitus – forging poverty as such.<sup>14</sup>

Another contributing factor to rural ghettoisation has been the emigration of the well-to-do population. Cserehát has already seen mass emigration during the agricultural collectivisation in the 1960s and afterwards still at an incremental pace. The emigration particularly of well-to-do peasants out of Cserehát first and foremost ended up in a major market loss for the Gypsies. These peasants were not only the buyers of what the Roma produced, but also were the intermediaries of the Roma's produce to be sold in the markets. Peasants also made use of the Roma for occasional low qualified work. Still a relatively favourable impact of emigration was that the Roma moved into the empty houses when the local peasants left and also received their gardens. Nevertheless, the Roma – as the new owners – did not have related economic and cultural capital to cultivate the land and even to start a simple family-based business.<sup>15</sup> Therefore, the lack of social capital and persistent unemployment

led to a convergence of disadvantages in the case of the poor in the area.<sup>16</sup>

The longitudinal fieldwork of Ladányi and Szelényi on the Roma community and their working habits in a Cserehát village called Csenyété demonstrates the peculiar characteristics of the habitus of poverty. The culture of poverty portrays three characteristics in Csenyété: extreme egalitarianism, the absence of trust and authority, and short-sightedness. Ladányi and Szelényi present the Roma population as always afraid of the outsider "taking advantage of them," which is frequently repeated in interviews with the following phrase: *az ő zsírjukon akar meghízni és meggazdagodni, senki ne gazdagoljon az én zsinoromon, munka nélkül pénz keressen*. Ladányi and Szelényi argue that the Gypsies want to see equality in every business deal and aid distribution. That is how equality plays a very important role for the Gypsy communities and they avoid its destruction even at the cost of remaining unemployed. Hence, "either everyone has work or no one has any" as the following Hungarian phrase repeated often in Ladányi and Szelényi's interviews demonstrates: *vagy legyen mindenkinek munkája, vagy senkinek se legyen*. In this picture, extreme egalitarianism becomes destructive since such mentality does not build solidarity but envy. Hence, in communities affected by poverty, at the root of solidarity is the common experience of paucity.

However, Ladányi and Szelényi do not believe that the culture of poverty is the reason for poverty. Instead, they state that this is response to poverty that the needy foster while dealing with the daily hardships of poverty. Culture of poverty is not an ethnical peculiarity: it cannot be explained through ethnicity but with poverty itself. Hence, both poor Roma and non-Roma are locked into this culture. Its roots are not in ethnicity or tradition but in the life experiences of the extreme poor. And once this culture (or habitus) is in place it gains relative autonomy, and thus facilitates the reproduction of the conditions of poverty. This is partly due to the poor and especially the poor Roma living often subordinate to patron-client relations. The poor Roma have a chronic lack of reliance and there is no authority that they can rely on in case of need. This is not their choice, but something they were born into. As an example, they are under significant disadvantage in the labour market, that is why they need a protector or patron so that the injustices in the

market affect them less and they can obtain such commodities for which they have substantial need. It is indeed a challenge to bring together an appropriate institutional framework to displace poverty with development.<sup>17</sup>

Though rural, Cserehát is in the vicinity of industrial centres. Transportation links, however, are feeble between the region and the towns and cities nearby. Most of the villagers lack private cars and are dependent on the inter-city bus for transportation.<sup>18</sup> In a previous study on regional and local development efforts in the Czech Republic, Myant and Smith<sup>19</sup> reached a conclusion that development depended on the contacts that regions could establish beyond their boundaries, bringing inward investment and expertise for the revitalisation of old industrial areas. Cserehát is at the border with Slovakia. The UNDP tried to establish the historical Miskolc-Košice corridor of trade and operate a common development programme for Eastern Slovakia and North-Eastern Hungary. Re-introduction of the Miskolc-Košice corridor for trade and transportation will remove the unnatural estrangement of two communities at both sides of the border from each other. After all, Mezei writes that prior to the Trianon Treaty, in the absence of the border there used to be important forms of co-operation and trade beneficial to both sides.<sup>20</sup> Given the current economic crisis, both sides of the border feel the need for an external source of resources to launch common development.

Simply, Cserehát would require an active and efficient state involvement in rural development to help people break out from the convergence of various disadvantages ending up in poverty. Nevertheless, any commitment as such is prone to be very expensive since Cserehát comprises small and sparse settlements devoid of a big population.<sup>21</sup> At the moment, the Hungarian government plans to decrease its involvement in regional development to a minimum with the hope that the amount promised by the EU will replace and surpass any governmental investment in development.

In the future, only a handful of settlements which cannot attract the EU funds will continue to receive support from the government. Moreover, given the current economic crisis in Hungary with respect to the budget deficit and the government's self-imposed push to qualify for the *Euro* by the end of the decade, it is not possible for the state to pursue



regional development with high costs. Even if the state could actively be involved in developing Cserehát, lack of human capacity would have still been an obstacle for development since many funds require writing tender applications to which human capacity is of utmost importance.

In this picture, human capacity in building and the utilisation of local resources in order to reach and sustain complex local development are the main instruments of regional development. That is to say, if the mayor of a small village is used to handling 70 million HUF, but suddenly receives 150 million HUF from a project application, s/he should have enough capacity to utilise this money towards the true aims of their projects.<sup>22</sup> Thereby, along with building transportation networks and public utilities to pursue macro-development, in parallel should run micro projects to invest in human capacity building in backward areas such as Cserehát. Hence, there is more to local development than the intervention by the central government. The local nature of development comes from the participation of local communities as initiators and controllers of development relative to the national level developments or those on levels higher than the regional one.<sup>23</sup> The discussion in the final sections of this paper will show whether the projected method for the distribution of funds support an approach to development as such or not.

Beyond human capacity in the regions, the absorption capacity of funds by the local governments will be fundamental to the development through the EU funds. Broadly defined, absorption capacity means the ability of the local self-governments to use public and private funding efficiently and effectively in a transparent manner in order to provide public goods at higher quality and/or quantity as well as to ensure their sustainable development. Based on this definition, there are three factors which determine the absorption capacity of local self-governments: the ability to raise the necessary own resources, mid-term planning and programming capacity, and the quality and soundness of the international controls system. Without adequate sources of their own revenues and an unpredictable central resource transfer system, local self-governments will find it difficult to apply EU support.<sup>24</sup> Hence, successful rural development at the micro-level in poor regions entails infrastructural investments going in tandem with human capacity building.<sup>25</sup>

### ***Cserehát Programme Format as a Form of Micro Development***

In order to receive grants from the Cserehát project, applicants should formulate a project body with various local involved. After a thorough review of their applications by the UNDP, the project participants can receive up to 20 million Hungarian Forints for their projects. However, they need to contribute 10 percent of this sum either through their own finances or through voluntary work or services. There are ten mentors responsible for ten geographical entities to assist various small civic groups, local governments, minority self-governments, various local or societal initiatives and firms to organise themselves and prepare grant applications.<sup>26</sup> Their task is to bring together local initiatives and enable the expression of shared intentions immanently related to the relevant landscape, locality and the municipalities. The mentors should put these actors in co-operation with each other and assist them to prepare necessary plans, bring funds and obtain additional funds, implement projects.

In this effort, "bringing together international experience with local knowledge is the secret of mentorship," in the words of the Cserehát Programme leader Márta Márczis. The mentors' most important asset is their ability for networking to bring together various local and civic bodies together for grant applications. Placing the foundations of mentorship on micro-regions is not coincidental: micro-regions, as spatial units, are the scenes for most economic, commercial, infrastructural, administrative and social relations among the local residents.<sup>27</sup> Nonetheless, lack of enough time in the area and local knowledge are frequent complaints from the mentors themselves. My observation is that to an extent that a mentor can relate her/himself to her/his micro-region, s/he establishes more trust and earns further local knowledge and hence contributes to the formation of more succinct projects. Yet, this relation should not be limitless: the mentor should be able to objectively evaluate the assets of projects and extend the project participants beyond a core group of people to further participants in the same locality. And this should be the relation of equals, rather than nurturing any inferiority or superiority among the stakeholders.<sup>28</sup>

The mentorship scheme of the Cserehát programme resembles what Kovách and Kučerová<sup>29</sup> qualify as the emerging impact of project class in rural development in Eastern Europe. Comparable evidence from the

developing countries shows that the process of the fight against poverty creates its own elite – separate from the political elite, who is frequently regarded as corrupt.<sup>30</sup> This project class refers to primary actors who can renew local communities. Hence, “projectification” in their terminology means restructuring of local power, re-grouping of the local policy arena and the emergence of a new social group. In this effort, the project class becomes an expert class, which strengthens its legitimacy through managerial skills and expertise knowledge. Moreover, those who could establish good working relations with such a project class can also rise to leadership positions within their communities. This is crucial to forge a local leadership structure as long as the new leadership does not become gate-keepers to fend off possible newcomers.

A relatively successful work format of the Cserehát programme would illustrate a picture contrasting Ladányi and Szelényi’s research findings from Csenyété presented above, which suggest extreme egalitarianism as an obstacle for enrichment. According to Márczis, Ladányi and Szelényi’s findings are due to the lack of community feeling in Csenyété where the population composition changes constantly with immigration and emigration, and hence are not applicable to the rest of the Cserehát region. The project mentors also object to what Ladányi and Szelényi suggested as extreme egalitarianism among the Gypsies. Their experience from the wider area of Cserehát supported a general view that the rural poor were willing to follow the best examples from their communities in their attempts to enhance their socio-economic positions. I will further discuss this issue in the next section when I present examples of efficient projects implemented by various civil society groups.

The role of the civil society in the Cserehát development programme deserves due attention beyond the central function of mentorship. The mentors should help to strengthen the local civil society through ingrainning cultural and social capital, through engaging various partners and members of civic groups, local governments and firms in development. Organisational success profits from an elusion of all possible obstacles of general member participation in decision-making. There is a need for interactive leadership (and mentorship in the case of the Cserehát programme) in order to bring spontaneous local demands on the political agenda. In an environment of stifled participation,

participants cannot develop collective identities. Members' collective identity and participation are proportional to their feelings of importance in their organisations. Once the members of an organisation see concrete policy results by means of their participation, they will have more reasons to participate.<sup>31</sup> Under the light of these normative claims, I will discuss some examples from the field in the next section.

### ***Social Capital, Rural Development, and Some Examples from the Field***

The literature on regional development refers to notions such as social capital<sup>32</sup> and institutional thickness. These refer to a plethora of institutions and partnerships of different kinds in co-operation towards developing initiatives between the levels of government and the organisations from the private and voluntary sectors. Often as a condition for financial support, the EU also propagates such notions as development<sup>33</sup> and social capital becomes central to the discussion regarding development. Putnam states that "economics does not predict civics, but civics does predict economics."<sup>34</sup> Adam et al., nevertheless, have concerns over the concept of civic tradition, civicness and civic involvement, and whether they are equivalent to the notion of social capital or not.<sup>35</sup> As an example, they ask if membership in choirs, bird-watching associations or other interest groups contribute to the development of entrepreneurship and innovation. The bulk of the projects that the Cserehát programme receives are exactly of the nature, which Adam et al. find inapt for rural development. Nonetheless, I believe that these projects also have a certain contribution to rural development.

If we were to take social capital as a "lubricant" of network organisations, one of the problems of transition or post-socialist societies appears to be connected with the domination of bureaucratic organisations. That is, with the insufficient diversity of *ad hoc* organisational forms, bureaucratic types of organisation are maintained even in those areas where different forms of organisation and management should have been developed. As I will demonstrate in the following section, the composition of local and regional governance structures in Hungary are examples of such bureaucracy. A higher level of development presupposes project-based organisations that are not hierarchical, but with flexible models of leadership and communication.<sup>36</sup> In parallel, shared

identity and concerns of the state, civil society and the market forces can positively influence the development processes. In this regard, social capital facilitates productive activity and other forms of capital, and can be wielded as actors pursue their given objectives.<sup>37</sup> While at first glance, some projects in Cserehát such as preservation of traditions, cultural identities or local values seem distant to development, I suggest that their capacity to foster social capital can bring these efforts to the very heart of development discussions.

For local communities, it is crucial to recognise and to diversity their internal assets and local values for innovation. Therefore, the renovation of a Greek Catholic Church in the area or supporting a church or Roma children's choir to teach the songs of their communities may not only contribute to the touristic potential of the region but also to the discovery of disguised potentials. Promoting the Roma culture may also help re-fostering the old handicrafts and traditional medicines to create a permanent source of income in the future.<sup>38</sup> Crucially, such activities also bring people together from different backgrounds and hence turn into crucial means for overcoming segregation. As an example, employing Roma communities for renovation or building purposes can help to displace certain prejudices about the work habits of this community beyond providing odd jobs for them.<sup>39</sup> One example is from a village in the region, where the local government and the Roma association applied for funds together to build both open and closed spaces for community events. Peculiar to this project, both the Roma and the non-Roma were aware of the particularities of their local culture and the need to maintain it. The creation of social capital was central to the success of such development projects and, among many, I will portray four projects as examples of rural development through social capital creation.

"Step-Forward" Association's projects are noteworthy with their aim to bring together local Roma women. The project leader of Step-Forward Association, a Roma woman with the name of Irénke, states:

[w]e should learn how to work together. Once we learn to work together, we can continue and develop other programmes. The local [minority Roma] self-government fell into pieces because people were not active in it. [The mentor interrupts to remind her that it fell apart because there were not very many people registering themselves as Roma.] Success depends on working

together and co-operating, but the men easily drop the idea of working together. [The mentor interrupts once more to say that he tried his best to introduce the men into working together, but he was not as successful.] The men did not manage to start something together as women did. (*author's translation from Hungarian*)

Iréнке reported to the UNDP Programme Specialist that their association has 23 members. The membership fluctuates very fast nevertheless, with people joining in and dropping out. At the time of the interview, there were only two women present other than Irénke, accompanied by their children. However, the rest of the women were at a training session running alongside the meeting. At that moment, Step-Forward was preparing another grant application for 10-12 Roma girls to explore and sing traditional Roma songs. The head of the new initiative was Irénke's daughter. The Roma girls wanted to prepare for a Catholic song-fest in Budapest in December 2006. They needed money for training and travel. Step-Forward presented this and the previous projects as manifestations of successful co-operation among the Roma youth and how the Roma women can mobilise. This mobilisation has obvious consequences for nurturing social capital. However, its social integration potential would be questionable as long as it only catered to the Roma youth excluding others from the same community.

It is important that the projects should also concentrate on social integration programmes in the area in order to displace habits of discrimination and social outcasting. A prior example from Táská, a small village in Somogy county, showed that the Ministry withdrew approved funds for building social houses for the Roma population on the grounds that the new settlement would create a new and segregated Roma neighbourhood.<sup>40</sup> Cross-sectional linkages or networks can link organisations of state, local business communities and civil society around problem solving tasks. Specifically, the linkages between local governments and Roma associations in Cserehát towards common projects can enforce such cross-sectional linkages and networks. The next two examples illustrate how difficult it is for such networks to come about.

The Rom-Som Foundation is one of the major funding recipients in Cserehát. They have been processing their grant applications so far through the involvement of the minority self-government in Tomor. The

new Hungarian legislation on minority self-government, however, requires the registration of at least 30 people from minority communities prior to local elections. The local Roma have been unwilling to register themselves out of a fear to declare themselves as Roma. Hence, the local government in Tomor would possibly terminate after the local elections in Autumn 2006. This would mean that the Rom-Som would miss a partner and a legal entity in grant applications as László Siroki said. Beyond missing a partner, however, the leaders of Rom-Som believed that the local government was neither interested nor aware of their projects. They have hence had a very unproductive working experience with the local government. And if the project responsibilities would be delegated to the local government after the termination of their minority self-government, they would not be interested in pursuing their projects any longer. Another complicating factor was that the Cserehát programme had supported the Roma applications in Tomor but not the local government's. It seemed as if the mentor could not manage to bring together the Roma community with the local government either. Under the past tensions between the local government and the Roma community, however, the future of the programmes in Tomor was uncertain during the time of the interview.<sup>41</sup>

Beyond the stated problems with the local government, I had a chance to see some project efforts of the Rom-Som leadership. They had a current project to buy trailers to transport piglets to the market. László Siroki continues:

[t]here were ten of us who would like to breed pigs. Three to four people withdrew from the project as a result of the problems with the local government. And now we don't have to buy as many pigs [accordingly in the first instance the project would support pig purchases of 10 participants]. Now, we want to buy fewer pigs and instead a trailer in order to take the piglets to market. (*author's translation from Hungarian*)

The UNDP Programme Specialist stated that it was possible to change the activities of the project. Nonetheless, once Siroki received this guarantee, he declared an even lower number of remaining participants and inquired about the possibilities of channelling the remaining money for other activities. Then, it was time for the UNDP Programme Specialist to

stress that the UNDP preferred the participation of as many as possible in projects. She continued to say that the UNDP's experience showed that as long as the institutions had consolidated foundations, they did not face major problems even after changes in government.

This project visit demonstrated various aspects of rural development. First of all, in case the links between civil society and the local governments are not institutionalised for mutual benefit, rural development projects remain vulnerable. In such contexts, it is not at all possible to refer to the social capital nurturing potential of projects, let alone their sustainability for further development. I found the remarks of the UNDP Programme Specialist timely in the sense that she gave references to the importance of institutions. Nevertheless, the problems with the local governments in the Hungarian context show the weakness of the institutions of rural development. To this extent, I also found the way the Rom-Som group pushed to transfer the remaining project money for purchasing a trailer an inhibitor of social capital development as well. As stated above, a very crucial problem with development projects such as Cserehát is the possible emergence of a project class. Moreover, the project class embedded in Rom-Som is composed of father and son who have been making some notable money out of project grants. While this aspect of the programme is crucial to create local business initiatives and help to remove the prejudices regarding the entrepreneurial capacities of the Roma, this composition does not help the emergence of social capital beyond family and kinship connection for sustainable development.

I will review one more project regarding social capital creation. A small village called Selyeb is the venue for a project called Roma Bottom-Up Initiatives. I visited Selyeb in the company of the mentor of the project and the UNDP Programme Specialist. The foundation representative, a Roma man called Horváth, reported that they wanted to demonstrate to their children that they could organise themselves around a community project for planting trees. Horváth said:

The idea was to show the children how to work as a group. It has been very difficult for us. We didn't do anything like this before. For sixteen years there was no community in this village. Now we have the willpower. We want to show it to the children. We didn't



see any such willpower from our elderly. *(author's translation from Hungarian)*

A man in the meeting also asserted:

On Sunday, we bought pencils, drawing sheets, and crayons for kids at Tesco. For Roma, the education of kids is really important. It is a Roma tradition in the area that the Roma kids draw paintings on the walls. We want to maintain this tradition. We want to show to the kids that if they could work together they can be productive. *(author's translation from Hungarian)*

At that moment, the organisation needed money to buy an orchard for peach trees. The Roma in this village do not own lands, but pick up the peaches from the orchards of a landowner. Also, the association needed more money to take the children on an excursion to the city. Reportedly, the Roma children in this region have never been to the city. When the UNDP Programme Specialist enquired what the association did for the children in their localities, the chronic problems with the local government surfaced. Horváth stated:

We received a promise from the local government to receive an empty house as a community centre. There are problems with the local government as the mayor lacks trust in us. I am even afraid of walking by the mayor's office. We want to organise music and dancing events, but the mayor wants us to breed pigs to eat. When [the mentor] goes to the mayor's office, the mayor promises everything, but in his absence he is not co-operating. [The mentor] talks about the buildings in the village that our association could take as a cultural house, but we cannot take any house as community centres. The mayor is not interested and because he has power he would not care about the Gypsies. *(author's translation from Hungarian)*

Another member of the same associated interrupted:

My children wanted to receive the Roma scholarship. They were refused even a scholarship designed for Roma kids. The decisions are on an unpredictable basis. That is why I decided to bring together a minority government. But I need people to cooperate. I

feel myself like anyone else. I am poor but proud. If the mayor wouldn't care in the least about the Gypsies, then I felt that at least someone should raise his voice for the Gypsies.<sup>42</sup> (*author's translation from Hungarian*)

The mentor asks whether things would change in the event they could have a minority government. The same responds:

If we have the same mayor, then there is a big question mark. We don't want to be cross with the first man of the village. He is an official. We need to establish our own officials first. (*author's translation from Hungarian*)

This project shows the importance the participants ascribe to the education of their children and nurturing their willpower. As such, their words and aims are at odds with the usual prejudices about the Roma population. The previous problem with the local government also presented itself in the case of this project group. The mentor could not bring the local government together with this association. This brings up questions regarding the social integration potential of the project. What is common to both projects discussed above is, however, their potential for agricultural rejuvenation in the area.

The Roma Bottom-Up Initiative of Selyeb presented a good example of the importance of institutionalising a community centre and focusing on the youngsters. A more developed, glossy and highly refined of its kinds is the Homrogd community centre. This centre provides child-care services and mother-training programmes, providing free access above all for Roma children in the region. It demonstrates that rather than shop-window policy-making, funds for regional development should be allocated with a real concept. The creation of such a centre is crucial to bring about the operation of networks that can affect development and generate change.<sup>43</sup> The adult education project at the community centre runs parallel to the study rooms for Gypsy children. At the centre, there is a vocational training programme for adults to become cooks, plumbers, bricklayers, nannies, and civil society activists. One of the teachers at the centre had great confidence in the programme, but she was uncertain regarding its future. In her words, the sustainability of the centre depended on the future availability of money.

### ***Local Governance, Finances, and the Prospects for Regional Development***

Reflecting on local governance in the Czech Republic, Myant and Smith considered fragmented municipalities a lasting sign of post-communism. Their isolation caused by their jealously-guarded autonomy, weakness to play much of a role in strategic decision, and complaining of lack of support from above were, accordingly, the manifestations of post-communism. Myant and Smith have also considered the low level of "partyisation" at the local level a condition that served further to separate the local governments from effective political influence.<sup>44</sup> The Hungarian local governance structures also show that creating a plethora of regional structures could not overcome the isolation of smaller municipalities and failed to nurture a "multi-layered civil society." There are many independent mayors in small settlements. While a certain group of them might be affiliated with political parties, an independent local governance often means isolation of the community.<sup>45</sup> Transition to a multi-layered civil society, however, would require overcoming the isolation of smaller municipalities and their involvement in the regional strategy formulation.<sup>46</sup>

The Regional Development Act of 1996 in Hungary gave momentum to the elaboration of a regional policy that relied on EU-compatible regulation and decentralised institutional and financial systems.<sup>47</sup> The decentralisation of local governance under the 1996 Act, however, also brought together a new hierarchy of institutions related to regional development. At the top of the hierarchy is the National Regional Development Council with the following ambiguous job description:

The National Regional Development Council was established by Act 21 of 1996 on Regional Development and County Planning as a high-level forum for negotiations, as well as the representative and assertion of interests. The Council functions as an organisation to prepare decisions, make proposals, give opinions, and to co-ordinate and make decisions, and consequently is also involved in the formulation and enforcement of regional development policy. The role of the council is extremely important since it has all the capacity necessary to make an impact on the processes of national territorial, development and regional policy, and co-ordinate

political and professional considerations. The Council is the coordinating body for national, regional, county and small regional ideas as a democratic body.<sup>48</sup>

This council also appropriates a major importance to participation of social actors and transparency. The website lists the decisions of the Council, which have so far been approved unanimously without discussion.<sup>49</sup>

Below the Council comes, in order: Regional Development Council (RDC), County Development Council (CDC), and Territorial Development council. In regards to rural development, the CDC prepares the decisions on subsidies, inviting competitors and monitoring contests. Kiss notes the most important aspect of such decentralisation was such that the regional actors learned about the EU rules of the tendering procedure, the practice of accounting for financial support and the practice of monitoring.<sup>50</sup> Yet, the experience from Cserehát shows that the population of micro-regions could not quite generate such social and cultural capital without the assistance of mentors, and hence the impacts of decentralisation did not necessarily permeate enhanced grant application ability in the region. The CDC, especially, remained invisible and out of reach for many in Cserehát.<sup>51</sup>

Overall, local governance attempted to maintain the concept of "partnership," relating to the horizontal inclusion of relevant social actors and the vertical integration of the four-tiers (locality, micro-region, county, central state). The CDC was planned to be the brain of this development scheme. It originally consisted of the representative of the Ministry of Agriculture and Rural Development, the Chairman of the County General Assembly, the mayor of the town of county rank, the representatives of the economic chambers, and the representatives of seven local agglomerations. In addition to these voting members, members without voting rights were regularly invited to its meetings. Despite its structure, the CDC could only formally guarantee a corporatist format of decision-making.<sup>52</sup> Starting with the Orbán government in 1999, the influence of the local governments decreased in the CDCs in the face of increasing central government interference and infiltration from various ministries and authorities. The discussions in Hungary on the restructuring of regional development show that the National Development

Agency is becoming more versatile than the earlier hierarchy of development councils.

The current paradox for the Hungarian government is how to increase infrastructural investments while decreasing the budget deficit. To this extent, as I mentioned above, the government places its trust in the cohesion and structural funds. The Hungarian government put into implementation a National Development Plan for the efficient use of the EU funds during 2007-2013. The stages of the implementation of the plan give a certain impression that the hierarchy of development councils, established by law in 1996, will become irrelevant with the new centralist organisation of development, controlled by the Prime Minister even devoid of parliamentary auditing at the moment.

The government brought together a National Development Agency in charge of the implementation of the development plan. The Agency is in charge of the cohesion policy funds (European Regional Development Fund, Cohesion Fund, and the European Social Fund), Hungarian national public contribution to such funds as well as the European Agricultural Fund for Rural Development and the European Fisheries Fund. The National Development Agency has established an elaborate hierarchy of decision-making on the use of these funds. The highest body is the National Development Council with the representatives from the Regional Development Councils, the Prime Minister, the delegates of the Economic and Social Council, Ministers and the Development Policy Steering Committee members. The Council meets once per year. A close inspection of decision-making structure, nevertheless, shows that the real preparatory, proposing and co-ordinating body is the Development Policy Steering Committee, which excludes the representatives from the RDCs as well as the representatives of the Economic and Social Council. This is an exclusive club of influential liberal SZDSZ (Alliance of Free Democrats) and socialist MSZP (Hungarian Socialist Party) politicians.

The Managing Authorities of Regional Programs supervise Operational Programmes of the National Development Plan. These authorities report to the Development Policy Steering Committee, giving the latter a privileged role to co-ordinate development. Their decisions will affect the use of the funds with respect to major environment and transportation investments. The New Hungary Development Plan rarely refers to

the Regional Development Councils. Retaining and even extending centralist tendencies towards the RDCs, it states that

[p]articipation of the Government in the regional development council grants professional and Government control of the decisions. The Government bears ultimate responsibility for the implementation of regional programmes.<sup>53</sup>

The delegates of the RDCs and representatives of the local governments, the delegates from civil society groups with the representatives from ministries and management authorities can monitor the running of the operational programmes. This format suggests that the RDCs are disposed to discuss decisions rather than be involved in the making of decisions. Despite the promises by Gordon Bajnai, the then Head of the National Development Agency, in September 2006 that the RDCs will directly decide 20 percent of the uses of the EU finances, this is not stated in the National Development Plan. Still, MSZP already also made it possible for its county representatives to enter respective RDCs, which their counties pertain, at various functions.<sup>54</sup>

Overall, the whole system of decision-making for the use of cohesion funds is built on the assumption that the Prime Minister has a strong authority in running the National Development Council and the Development Policy Steering Committee and can control the RDCs. In an interview with the Hungarian weekly *HVG*, Commissioner Danuta Hübner asserted the implicit approval of the Commission for centralising the use of the cohesion funds.<sup>55</sup> Given the ongoing political and economic crisis in Hungary, however, it is not at all difficult to suppose that the Prime Minister can be easily crippled in control of these bodies. Moreover, the system of decision-making is far from the control of Parliament. The Parliament does not have much say in the running of Operational Programs either.<sup>56</sup> A further sign of centralism was the news that the government had decided to handle the credits for the small- and medium-sized companies from EU funds single-handedly through a limited company called "Entrepreneurial Support Disburser" (Vállalkozói Támogatásközvetítő Zrt.). The major drawback of handling the credits in this manner was the distance of the company from the would-be recipients situated in the countryside.<sup>57</sup>

In parallel, the left-liberal coalition also sought to impose changes in the local government legislation collateral to austerity measures. The government attempted to introduce "regional local governments" in order to transform the Hungarian regions into the EU statistical (NUTS 2) regions so that they could utilise the cohesion funds with more efficiency. The government, in the end, could not win the approval of two-thirds of the M.P.s for such public administration reform. The opposition politicians saw this legislation as an effort to concentrate all administrative duties in big cities, and the end of the autonomy of the local governments.<sup>58</sup> However, still, there are attempts at further centralisation. In November 2006, under pressure from the State Reform Commissioner Tivor Draskovics and the junior coalition partner SZDSZ, there emerged an idea to disband a network of Commissioners for Small Settlements (*Kistérségi Megbízott Hálózat*) and seven regional coordinator positions.<sup>59</sup> Beyond the austerity measures and state reform, the advantageous position of the commissioners in tender evaluation and the lack of MSZP control after the local election victory of the opposition in Autumn 2006, can be the reason why the government intends to discontinue with the network.<sup>60</sup> It is a political tradition in Hungary to use development funds to create a loyal group of voters for the party and providing financial support for party cronies. The Fidesz government between 1998-2002 was a prime example. In an interview, an expert of the EU funds and corruption, Eszter Kósa stated that most of the corruption happens in Hungary when the local governments commission the friendly companies to carry out projects during public procurement.<sup>61</sup> The inflow of EU funds for regional development, indeed, is prone to encourage further cronyism.

After the local elections of Autumn 2006, there is an acute problem of communication between the local structures and the central government. In an attempt to bridge this gap – and possibly to supervise project tenders – Gyurcsány attempted to bring together a conciliatory forum for local governments (*önkományzati egyeztető fórum*) in November 2006.<sup>62</sup> The Prime Minister intended this forum to be a parity-based parliamentary committee to inspect the implementation of the government programme. Alongside, the Prime Minister also wished to change certain legislation in effect to local governments and reform the control of local government duties and affective finances.<sup>63</sup> In

response to these conciliatory attempts of the government, Orbán in haste also offered to bring together a body of local governance to sustain his control of the newly elected mayors of Fidesz.<sup>64</sup> These current institutionalisation attempts, however, demonstrate the distance of the political elite from the developmental problems at the micro-level. The following quotation from an interview with a peasant in the daily *Magyar Nemzet* illustrates the way common people regard this picture.

The real cooperative spirit to guarantee that the perseverance of the small settlements should make sure that no one's interests are overshadowed. For that there is a need for the freedom of local creativity rather than regulation at the central level. This freedom should intensively attract the residents of the localities in bringing out the decisions related to their personal lives.<sup>65</sup> (*author's translation from Hungarian*)

In the previous section, I have shown how "remoteness" affects the residents of Cserehát and isolation sustains poverty. A complex set-up of development-related institutions, local and national structures does not create social capital as long as they are distant from the daily realities of people in the regions. The planned distribution of EU cohesion funds in Hungary suggests institutional congestion and political strife at the expense of the potential development with the cohesion funds. The research on poor settlements in France and the US shows that organisational density does not override isolation of the poor. In case of lack of efficiency and co-ordination between the myriad public and semi-public organisations – implanted in regional development – and the structural inability of regional development programmes, a notion of passivity and apathy will be common among the most dispossessed. Moreover, the elites of such institutions may stand as nets between the poorer people and the outside world as was the tendency in certain development projects presented above. Dependency and dissatisfaction may thus form a vicious cycle in which each reinforces the other. The prevalence of development institutions may even accentuate a negative reputation for a region – fuelling the spiral of stigmatisation and sociofugal strategies that decrease social integration.<sup>66</sup> Under the light of this debate, I will discuss in the next section. how macro- and micro-structures of



development can be institutionalised to solve problems of regional development in Hungary.

***The Macro-structures of Development  
and Development at the Micro-level***

As regards the development issues and processes in Cserehát, I illustrated above the impacts of the spatially-concentrated deprivation in territorial isolation and the culture of poverty in decapitated societies on perennial poverty. The absence of human capacity, the regional structures of multi-layered civil society, the means of transportation all enhance underdevelopment and poverty in Cserehát. My empirical study and interviews showed that overcoming isolation and outcasting through social integration and cultivation of trust and willpower could be the format of development in the area. In this respect, given my discussion in the section above, a just question is whether the current format of local governance and institutionalisation of development in Hungary can provide this format or not? The paper in part responds that the currently established institutions of development at the macro-level are not capable of solving the developmental problems at the micro-level. Beyond the endless criticisms from experts of regional development and opposition politicians on the current format in Hungary, however, one should rather concentrate simply on how to develop the poor regions.

Pál Tamás presented a study on various programme documents of the Hungarian government. All talk about colourful changes, which will be Hungary's destiny when the EU funds finally arrive. In Tamás's words, these documents seem absolutely acceptable from a communication point of view. Nevertheless, it looks as if ideas, values, and goals are all mixed up in these documents where everything one can ever think about development is written. Instead, according to Tamás, these programmes should pay more attention to the demographical situation and the issue of poverty (especially in connection with Roma integration).<sup>67</sup> Even so, the discussion above shows how far the institutionalisation of development is from the localities in actual need. As a criticism to the territorial development policies of the government, the Mayor of Debrecen from Fidesz, Lajos Kósa, stated that today's system of tenders are exclusively part of shop-window policy-making and funds for regional development are allocated without a real concept.<sup>68</sup>

The EU priorities for rural development, in this respect, are as follows: (1) the improvement of agricultural and forestry competitiveness, (2) the improvement of environmental and rural status, (3) the improvement of quality of life (diversification), and (4) the enhancement of local capacities.<sup>69</sup> The National Agricultural and Rural Development Strategy 2007-2013 in Hungary also recognized that agricultural rejuvenation can be a panacea for underdevelopment in the Hungarian regions. In line with the EU priorities, it sets the five following developmental goals: (1) agricultural structural change, (2) agricultural market creation, (3) farming with care for the environment, (4) strong provincial small companies, and (5) the development of local communities. These goals are closely related to the development of human capacity.<sup>70</sup> The same programme also allocates a certain importance to developing quality of life, income and employment position of the villagers. As general as these goals sound, in order to achieve these goals, the same strategy calls for (1) strengthening the economic potential of the village and development of firms; (2) sustainable utilisation of cultural and natural values, and the development of communal life in the village; (3) the development of local human capacity and expanding the knowledge and information base of entrepreneurship, planning and execution.<sup>71</sup> These goals illustrate that the Hungarian projects will aim at developing human capacity and infrastructure in tandem.

In an interview with the daily *Magyar Hírlap*, József Gráf, the Minister of Agriculture and Rural Development, stated that all aims of rural development should serve the interests of agriculture and vice versa. The aim is that the producer should not quit producing his/her produce if s/he cannot live from it, but rather enhance his/her activity circle. This activity circle can be agricultural tourism or else forestry.<sup>72</sup> In reality, rural development and the general restructuring of the economy can potentially lead to a substantial change in the interaction patterns between society, state, and the firms. Creating a cohesion between those activities not only at local farms, but also with other rural exercises, is strategic as the Cserehát programme also demonstrated. At the same time, there is a need to create synergies between the local and regional eco-systems/specific farm styles, specific goods and services, and localised food chains.<sup>73</sup>

However, Zoltán Gógös, the State Secretary of the Ministry of Agriculture and Rural Development, has had critical remarks on this approach. Gógös expressed that his Ministry thought that enhancing the competitiveness of Hungarian agriculture should receive priority in financing to cure the disadvantages of Hungary in agricultural modernisation. The division of funds in this manner would assist the developmental vision of small companies. In response to a remark regarding Brussels' wishes for Hungary to shift funding from support for competitiveness to other structures, Gógös was articulate:

In concrete Brussels would like us to place the funds directed for the amelioration of competitiveness to the third (diversification) axis. Whereas we argue that we would not be able to instigate many non-agricultural – for instance touristic or other service sector related – ideas with which we would acquire an enhanced frame of sources. The service-social development oriented aims would be mistaken if future-oriented competitive agriculture does not keep the rural population in place. The Union emphasises that we should not develop the countryside through agriculture, but through enlarging the forms of subsistence. We, in return, ask why we do not appropriate priority to agricultural development since Hungary has extraordinarily good agricultural facilities.<sup>74</sup> (*author's translation from Hungarian*)

The projects supported in the frame of the Cserehát programme also showed the emphasis of the international organisations on diversification of income-generating activities and tradition conservation in the countryside. While this has a certain contribution to human capacity building, even Aladár Horváth, the ex-President of the National Gypsy Self-government, argues that the Gypsy problems are social, educational, and social cohesion related rather than tradition-conserving.<sup>75</sup> Above, I presented the importance of institutional thickness for sustainable development at the micro-level and the problems related to that in Hungary with examples from the institutions geared for development at the macro-level. To conclude, I want to introduce why institutional thickness rather than institutional congestion is relevant and crucial for development and the fight against rural poverty.

Amin and Thrift note the factors that contribute towards the construction of institutional thickness as follows: strong institutional presence (institutions of different kinds, including: firms, financial institutions, local chambers of commerce, training agencies, innovation centres, clerical bodies, unions, government agencies providing premises, land, and infrastructure, business service organisations, marketing boards – all or some of which can provide a basis for the growth of particular local practices and collective representations. The current attempts of institutionalisation in Hungary are nevertheless devoid of allocating responsibilities to those institutions away from the centre.

Amin and Thrift continue that although the number and diversity of institutions constitutes a necessary condition for the establishment of institutional thickness, it is hardly a sufficient one. A collateral factor is sustaining high levels of interaction amongst the institutions. The institutions involved must be actively engaged with and conscious of each other, displaying high levels of contact, co-operation, and information interchange which may lead, in time, to a degree of mutual isomorphism. These contacts and interchanges are often embodied in shared rules, conventions, and knowledge which serve to constitute the social atmosphere of a particular region. The interview results in the frame of the Cserehát programme illustrated the distance between the local governments and the civic initiatives and the danger that the tradition-conserving-related micro-development attempts may prevent social unity from coming into existence. Moreover, a tendency to centralise and rest the development-related institutions in the political personality and strength of the Prime Minister will not provide for co-operation among various institutions.

In contrast to the current situation, in order for development, Amin and Thrift assert the need for patterns of coalition, which will result in the collective representation of what are normally sectional and serving to socialise costs or control rogue behaviour. The participants in the set of institutions should also be mutually aware that they are involved in a common enterprise. This will almost certainly mean that there is a commonly held agenda, which the collection of institutions both depends upon and develops. Hence, this thickness would continue to stimulate entrepreneurship and consolidate the local embeddedness. What is of most significance is not the presence of institutions *per se*, but rather the process of institutionalisation, that is, the institutionalising processes that

both underpin and stimulate a diffused entrepreneurship – a recognized set of codes of conduct, supports, and practices which certain individuals can dip into with relative ease. In this sense, institutions are very broadly conceived to include not only formal organisations, but also more informal conventions, habits and routines which are sustained over time (and through space).<sup>76</sup>

This paper showed that at its current stage of development, the Hungarian attempts at development are crippled by political instability, lack of co-ordination and co-operation among institutions which should otherwise be geared toward development. As long as the use of the EU cohesion funds remains centralised, there is danger that micro-regional development efforts will not be sustainable either.

### Notes

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14. Ladányi and Szelényi, p. 88.

15. Ladányi and Szelényi, p. 86.

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39. Interview with Árpád Zsigmond, head of local minority government, Örkény, February 2, 2006.
40. "Felejtjük el a pályázatokat...", *Magyar Nemzet*, 8.11.2005.
41. The local government applied to receive some funding to renovate a "house of sorrow" in Tomor. The project application failed. According to the Rom-Som representatives, the reason was that there was not much to renovate at this very place.
42. During the time of the interview, Selyeb did not have minority self-government. However, the community managed to register 84 of its members (with certain difficulties) and they believed that they would have a minority self-government elected eventually.
43. Kukorelli Szőrényiné, p. 346.
44. Myant and Smith, p. 167.
45. I have come across such trends in my interviews with civic groups in Nyírség right after the pollution in River Tisza in 2001. In an interview, the project mentor Melinda Kassai articulated similar insights from Cserehát.
46. Myant and Smith, p. 168.
47. Kiss, pp. 176-177.
48. See the Országos Területfejlesztési Hivatal website for job definition of the National Regional Development Council at [http://www.oth.gov.hu/hivatal\\_ott.php](http://www.oth.gov.hu/hivatal_ott.php)
49. Ibid.
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